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PP RUEHWEB

DE RUEHLP #0299 0381121
ZNR UUUUU ZZH
P 071121Z FEB 07
FM AMEMBASSY LA PAZ
TO RUEHC/SECSTATE WASHDC PRIORITY 2347
INFO RUEHAC/AMEMBASSY ASUNCION 6512
RUEHBO/AMEMBASSY BOGOTA 3836
RUEHBR/AMEMBASSY BRASILIA 7718
RUEHBU/AMEMBASSY BUENOS AIRES 4964
RUEHCV/AMEMBASSY CARACAS 2205
RUEHPE/AMEMBASSY LIMA 2294
RUEHMD/AMEMBASSY MADRID 3300
RUEHMN/AMEMBASSY MONTEVIDEO 4386
RUEHQT/AMEMBASSY QUITO 4848
RUEHSG/AMEMBASSY SANTIAGO 9436
RUEHC/DEPT OF LABOR WASHINGTON DC
RHMFIUU/HQ USSOUTHCOM MIAMI FL
RUMIAAA/USCINCSO MIAMI FL
RUEHUB/USINT HAVANA 0126
RHEHNSC/NSC WASHINGTON DC
RHEBAAA/DEPT OF ENERGY WASHINGTON DC
RUCPDOG/DEPT OF COMMERCE WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHINGTON DC

UNCLAS LA PAZ 000299

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STATE FOR WHA/AND
TREASURY FOR SGOOCH
ENERGY FOR CDAY AND SLADISLAW

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [PGOV](#) [BL](#)

SUBJECT: SOCIAL SPENDING DECLINED IN 2006

REF: LA PAZ 1660

¶1. Despite a year-end 2006 estimated fiscal surplus of almost six percent and an increase in government revenues of approximately 41 percent, social spending by the GOB declined by around six percent last year. Government revenue increases resulted from increased customs and general tax collections, domestic hydrocarbons sales and hydrocarbons taxes (USD 1 billion in 2005 to an estimated USD 1.6 billion in 2006), and foreign donations. Although health and education expenditures increased, in part due to a seven percent salary increase for workers in these sectors, sanitation and housing expenditures declined. Total public investment increased 17 percent in 2006 over 2005 figures, but expenditures were focused on infrastructure, production support, and extractive sectors. The national road service and prefectures (regional governments) had the lowest execution rates of their projected budgets -- 42 percent and 48 percent respectively -- due to reorganization, weak implementation capacity, and difficulty obtaining approval for projects from the central government.

¶2. Comment: In spite of the GOB's statist economic plan (reftel) and booming revenues, public investment increased only modestly in 2006, while social spending actually declined. The low level of spending reflects more the GOB's and regional government's limited executing capacities than the Movement Towards Socialism (MAS) government's spending intentions, which are reflected in its projected 2007 budget deficit of three percent. End comment.

Public Investment
(in millions of USD)

	2005	2006(e)
Infrastructure	326	427

Production Support	101	114
Extractive Sectors	7	11
Social Spending	195	183
Health	41	53
Education	43	45
Sanitation	51	41
Housing	60	44
Total Public Investment	629	735
GOLDBERG		